

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2423 – HB 3228

February 23, 2012

SUMMARY OF BILL: Requires any licensee, licensed under the Tennessee Money Transmitter Act of 1994, to collect from customers a fee of \$5.00 plus one percent of any transaction amount in excess of \$500. Authorizes the licensee to retain 0.5 percent of the \$5.00 fee for the cost of accounting. Requires licensees to transmit quarterly fee revenue to the Department of Revenue (DOR) for deposit into a newly-created Money Laundering Prevention Fund (MLPF). Authorizes DOR to retain one percent of received fee revenue for administrative costs. Requires the State Treasurer to invest monies deposited to the MLPF. Requires the Director of the Tennessee Bureau and Investigation (TBI) to direct unencumbered amounts in the MLPF to programs designed to prevent and detect money laundering activities. Authorizes customers who have paid such fees to apply to DOR for a refund of fees paid. Requires customers requesting refunds to submit a single application to DOR for all fees paid during the prior calendar year. All refunds shall be paid from the MLPF. Authorizes DOR to assess a civil penalty not to exceed \$25,000 against any person that knowingly files a false or fraudulent application.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$1,109,900/FY12-13/Department of Revenue
\$109,878,700/FY12-13/Money Laundering Prevention Fund
\$2,219,800/FY13-14 and Subsequent Years/Department of Revenue
\$219,757,300/FY13-14 and Subsequent Years/Money Laundering Prevention Fund

Increase State Expenditures –

\$1,109,900/FY12-13/Department of Revenue
\$109,878,700/FY12-13/Money Laundering Prevention Fund
\$2,219,800/FY13-14 and Subsequent Years/Department of Revenue
\$219,757,300/FY13-14 and Subsequent Years/Money Laundering Prevention Fund

Other Fiscal Impact – It is estimated that approximately 50 percent of funds deposited to the Money Laundering Prevention Fund, or approximately \$54,939,400 in FY12-13 and approximately \$109,878,700 in FY13-14 and subsequent years, will be earmarked and utilized by the Tennessee Bureau of Investigation for the purpose of programs designed to prevent and detect money laundering activities.

Assumptions:

- According to the Department of Financial Institutions (TDFI), there were approximately 42,080,965 money transmissions in this state in the year 2010. This number is assumed to remain constant in subsequent years.
- The number of money transmissions, as indicated by TDFI, is equivalent to the number of transactions, as defined by this bill.
- Ten percent of transactions (or 4,208,097) will exceed the \$500 threshold established in the bill. The average transaction exceeding \$500 is estimated to be \$800; therefore, the average portion for which the additional one percent fee applies is \$300 (\$800 - \$500).
- The recurring increase in fee revenue is estimated to be \$223,029,116 $[(42,080,965 \times \$5.00) + (4,208,097 \times \$300 \times 1.0\%)]$.
- For the costs of accounting, licensees are authorized to retain 0.5 percent of the \$5.00 portion of the fee. Therefore, licensees will retain approximately \$1,052,024 $(42,080,965 \times \$5.00 \times 0.5\%)$ each year.
- Licensees will remit to the Department of Revenue (DOR) approximately \$221,977,092 $(\$223,029,116 - \$1,052,024)$ each year.
- DOR is authorized to retain one percent of fee revenue received from licensees for the cost of implementation and administration. Therefore, the recurring increase in state revenue retained by DOR is estimated to be \$2,219,771 $(\$221,977,092 \times 1.0\%)$.
- It is assumed that the additional funding retained by DOR will be sufficient for administering the new fee; as a result, a recurring increase in state expenditures by DOR of \$2,219,771.
- All remaining fee revenue shall be deposited to the MLPF. Therefore, the recurring increase in state revenue deposited to the MLPF is estimated to be \$219,757,321 $(\$221,977,092 - \$2,219,771)$.
- Approximately 50 percent of the annual allocation to the MLPF will be refunded each year to customers who initially paid the transaction fees; therefore, a recurring increase in state expenditures from the MLPF of \$109,878,661 $(\$219,757,321 \times 50.0\%)$. The remaining \$109,878,660 $(\$219,757,321 - \$109,878,661)$ will be utilized by the Tennessee Bureau of Investigation (TBI) for the purpose of programs designed to prevent and detect money laundering activities; therefore, an additional recurring increase in state expenditures from the MLPF of \$109,878,660. The total recurring increase in state expenditures from the MLPF is estimated to be \$219,757,321.
- Any increase in state revenue derived from civil penalties assessed by DOR is estimated to be not significant.
- Given the effective date of January 1, 2013, the first-year impact (FY12-13) is estimated to be 50 percent of the first full-year impact (FY13-14).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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